

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7688

BILL NUMBER: HB 1928

DATE PREPARED: May 1, 2001

BILL AMENDED: Apr 29, 2001

SUBJECT: Procedures for Small Water or Sewer Utilities.

FISCAL ANALYST: John Parkey

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (CCR Amended) This bill contains the following provisions:

(1) It requires a not-for-profit sewer utility to include in a petition for a rate change a statement as to whether it has an outstanding indebtedness to the federal government.

(2) It allows the Indiana Utility Regulatory Commission to adopt rules or issue orders that establish regulatory procedures or standards governing a public or municipally owned water or sewer utility that:

- (A) serves less than 5,000 customers;
- (B) primarily provides retail service to customers; and
- (C) does not serve extensively another utility.

(3) It provides that if a not-for-profit water utility in Vermillion County files a complaint with the IURC concerning another not-for-profit water utility in Vermillion County that has withdrawn from the IURC's jurisdiction, the IURC shall reassert jurisdiction over the withdrawn utility with respect to the withdrawn utility's: (A) rates and charges; (B) rules; and (C) operating and territorial authority; concerning the purchase of water for resale by the complaining utility from the withdrawn utility.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) (2) This provision would allow the IURC to adopt rules or issue orders governing the regulation of smaller utilities. These utilities are defined as public or municipally owned utilities providing primarily retail service to fewer than 5,000 customers while not extensively serving another utility. The IURC may incur additional costs in the establishment of new rules, however, any additional expenses may be partially offset if the new rules or procedures allow the IURC to streamline its regulation of smaller utilities.

Regulatory procedures established under the authority granted by this bill must be in the public interest and must at least promote either efficiencies for the Commission, the utility, or consumers *or* provide a more accurate evaluation of a utility's physical or financial conditions or needs.

Under this bill, regulatory procedures or standards for smaller water or sewer utilities may be initiated by; a smaller utility, the IURC, the Office of the Utility Consumer Counselor (OUCC); or a group of ten individuals, firms, companies, or other complainants. The number of these small water or sewer utilities that would be affected by this proposal is dependent upon the extent to which regulatory procedures are initiated by one of the specified parties.

(3) While this provision may slightly increase the number of rate hearings that the IURC conducts, it is not expected to have a significant impact on the Commission's resources.

Explanation of State Revenues: The Indiana Utility Regulatory Commission and the Office of the Utility Consumer Counselor are funded by public utilities. The annual fee charged to utilities is based on the budgets of these two agencies. At the end of the fiscal year, if the total public utility fees in the Public Utility Fund plus the unspent balance of the Fund exceeds the total appropriations for the IURC and the OUCC (plus a \$250,000 contingency fund), then the IURC must compute each utility's share of the excess. This share is then deducted from any subsequent payment of the utility's public utility fees. In FY 2000, public utility fines and fees generated \$8,053,986.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor.

Local Agencies Affected: Some municipally owned utilities may be affected by this bill; Certain water utilities in Vermillion County.

Information Sources: Mike Leppert, Executive Director for External Affairs, IURC, (317) 232-2714.